

Daggett School District
Audit Report
Year Ended June 30, 2005

DAGGETT COUNTY SCHOOL DISTRICT

Audit Report

Fiscal Year Ending June 30, 2005

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August 24, 2005

Board of Directors
Daggett County School District
2nd North 2nd West
Manila, UT 84046

Dear Board Members:

We have completed our audit of the Daggett County School District for the year ended June 30, 2005, and issued our report thereon dated August 24, 2005.

We noted that continued improvement is being made in allocating benefits to programs that pay out salaries.

We noted that the high school made progress in implementing better controls over cash and receipts.

We found that one part of the General Fund overspent the budget by \$5,248; however the General Fund as a whole under spent the budget by \$84,074.

We appreciate the courteous assistance provided to us by the District Staff and commend the District Business Administrator for the continued improvement in the financial records of the District.

Sincerely,

Steve Johnstun & Associates
Certified Public Accountant

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Education
Daggett County School District
Manila, Utah

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Daggett County School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Daggett County School District as of June 30, 2004 and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements -- and Management's Discussion and Analysis- for State and Local Governments, as of June 30, 2005.

In accordance with Government Auditing Standards, we have also issued our report dated August 26, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and analysis on pages 4 through 7 is not a required part of the basic financial statement but is supplementary information required by the Government Accounting

Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.


Steve Johnston & Associates
Certified Public Accountant
August 24, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Daggett County School District, we offer readers of the District financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2005. We encourage readers to consider the information presented here in conjunction with the District financial statements, which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District basic financial statements. The District basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 8 through 18 of this report.

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with

finance-related legal requirements. All of the funds of the District can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, *special revenue funds*, *debt service funds*, and *capital project funds*, all of which are considered to be major funds. Data from the two special revenue funds are combined into a single aggregated presentation.

The District maintains and adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund statements can be found on pages 12 to 18 of this report.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

The district uses a fiduciary fund to account for resources held for other groups. The basic fiduciary fund financial statement can be found on page 31 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 19 to 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$374,520 at June 30, 2005

The largest portion of the District net assets reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the District's net assets represent resources that are subjected to external restrictions on how they may be used. The remainder of net assets may be used to meet the District ongoing obligations to students, employees and creditors. However, the unrestricted net asset amount has been earmarked for the following purposes:

- **Designation for Undistributed Reserve**

As allowed by law, the District has established an *undistributed reserve* of \$70,272 of general fund budgeted revenues within the general fund which is set aside for contingencies or possible reductions in state funding and not to be used in negotiation or settlement of contract salaries.

- **Post Employment Healthcare Benefit Obligation**

The District provides healthcare benefits for eligible retired employees. This benefit is recorded as an expenditure as healthcare premiums are paid. Certain employees who elect to retire early under the District early retirement program receive healthcare benefits up to five years. The District has no healthcare obligation for early retirees.

As of June 30, 2005, the District is able to report positive balances in two categories of net assets, both for the District as a whole and for its separate governmental activities. The same situation held true for the prior fiscal period.

Financial Analysis of the District Funds

As noted earlier, the District uses fund accounting to endure and demonstrate compliance with finance-related legal requirements.

The focus of the District governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in

assessing the District financing requirements. Undesignated balances in the general fund are required by state law to be appropriated in the following year's budget.

The *general fund* is the chief operating fund of the District. At June 30, 2005, unreserved and undesignated fund balance was \$312,011 while the total fund balance was \$545,402. The unreserved and undesignated fund balance increased by \$4,904. Annual expenditures in the general fund were \$84,075 less than the final budgeted amounts.

The *capital projects fund* has a total fund balance of \$107,348 all of which is restricted for acquisition of capital assets and related expenditures. The fund balance decreased by \$87,883 during the fiscal year due to upgrading/renovation of facilities.

The *debt service fund* has a total fund balance of \$64,282, all of which is reserve for the payment of debt service on general obligation bonds. The fund balance increased by \$17,220 during the fiscal year.

The *non K-12 programs special revenue fund* has a total fund balance of \$26,085. This balance is within the total allowed by state guidelines and is restricted to non-kindergarten through twelfth grade programs.

The *school lunch special revenue fund* has a total fund balance of \$4,339. This balance is within the total allowed by state guidelines and is restricted to food service programs.

Debt Administration

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005 was \$7,172,503 while the general obligation debt at that date was \$830,000 resulting in a legal debt margin of \$6,342,503.

Additional information on the District's long-term debt can be found in Note 7 to the basic financial statements.

Requests for Information

This financial report is designed to provide a general overview of Daggett County School District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions concerning this report or need additional financial information, please contact the Office of the Business Administrator, Daggett County School District, 2nd North 2nd West, Manilla Utah, 84046. Phone number (435) 784-3174.

Dagget School District
Statement of Net Assets
June 30, 2005

Exhibit 1

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets: | |
| Cash and Investments | \$ 928,242 |
| Receivables | 70,123 |
| Capital Assets: | |
| Land | 291,971 |
| Other Capital Assets, Net of Accumulated Depreciation | 215,515 |
| Total Assets | <u>1,505,851</u> |
| Liabilities: | |
| Accounts Payable | 108,776 |
| Accrued Payroll | 85,911 |
| Accrued Interest | 831 |
| Accrued Liabilities | 32,722 |
| Non current Liabilities | |
| Due within one year | 187,809 |
| Due in more than one year | 785,554 |
| Total Liabilities | <u>1,201,603</u> |
| Net Assets: | |
| Invested in Net Assets, Net of Related Debt | (322,514) |
| Undistributed Reserve | 70,272 |
| Restricted | 364,342 |
| Unrestricted | 192,148 |
| Total Net Assets | <u>\$ 304,248</u> |

Dagget School District
Statement of Activities
Year Ended June 30, 2005

Exhibit 2

| <u>Functions</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Total</u> | <u>Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities</u> |
|---|------------------|--|---|----------------|--|
| | | <u>Charges for Services to Districts</u> | <u>Operating Grants and Contributions</u> | | |
| Governmental activities: | | | | | |
| Instructional services | 1,629,783 | - | \$ 925,581 | 925,581 | (704,202) |
| Support Services-Students | 6,952 | - | - | - | (6,952) |
| Support Services-Instr Staff | 110,451 | - | - | - | (110,451) |
| Support Services-District Admin | 162,083 | - | - | - | (162,083) |
| Support Serv school Admin | 106,302 | - | - | - | (106,302) |
| Support Services-Business | 130,455 | - | - | - | (130,455) |
| Support Services-oper/maint | 361,841 | - | - | - | (361,841) |
| Support Service-Student Trans | 185,828 | - | - | - | (185,828) |
| Support Service-school lunch | 3,974 | 22,081 | 24,141 | 46,222 | 42,248 |
| Interest on Long Term Liab | 21,728 | - | - | - | (21,728) |
| Total | 2,719,397 | 22,081 | 949,722 | 971,803 | (1,747,594) |
| General Revenues: | | | | | |
| General Purposes | | | | | 435,762 |
| Recreation | | | | | 42,016 |
| Debt Service | | | | | 205,088 |
| Capital Outlay | | | | | 235,456 |
| Federal and state aid not restricted to specific purposes | | | | | 703,770 |
| Interest Income | | | | | 19,011 |
| Miscellaneous | | | | | 231,405 |
| Total General Revenues | | | | | 1,872,508 |
| Change in Net Assets | | | | | 124,914 |
| Net Assets - Beginning | | | | | 179,335 |
| Net Assets - Ending | | | | | 304,249 |

DAGGETT COUNTY SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2005

Exhibit 3

| | <u>Governmental Fund Types</u> | | | | <u>Total</u> |
|----------------------------------|---|-----------------------------|-------------------------|---------------------------|------------------|
| | <u>Maintenance & Operations (General)</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Nonmajor Funds</u> | <u>2005</u> |
| <u>Assets & Other Debits</u> | | | | | |
| <u>Current Assets</u> | | | | | |
| Cash & Cash Equivalents | 724,005 | 107,348 | 64,283 | 32,606 | 928,242 |
| Accounts Receivable | 68,011 | - | - | 2,112 | 70,123 |
| <u>Total Current Assets</u> | <u>792,016</u> | <u>107,348</u> | <u>64,283</u> | <u>34,718</u> | <u>998,365</u> |
| <u>Fixed Assets</u> | | | | | |
| Land | - | 291,971 | - | - | 291,971 |
| Building | - | 3,725,783 | - | - | 3,725,783 |
| Equipment | - | 1,395,099 | - | - | 1,395,099 |
| <u>Total Fixed Assets</u> | <u>-</u> | <u>5,412,853</u> | <u>-</u> | <u>-</u> | <u>5,412,853</u> |
| <u>Total Assets</u> | <u>792,016</u> | <u>5,520,201</u> | <u>64,283</u> | <u>34,718</u> | <u>6,411,218</u> |

DAGGETT COUNTY SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2005

| <u>Exhibit 3 (Cont)</u> | | <u>Governmental Fund Types</u> | | | | <u>Total</u> |
|--------------------------------------|---------|---|-----------------------------|-------------------------|---------------------------|--------------|
| | | <u>Maintenance & Operations (General)</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Nonmajor Funds</u> | <u>2005</u> |
| <u>Liabilities & Fund Equity</u> | | | | | | |
| <u>Liabilities</u> | | | | | | |
| Accounts Payable | 108,276 | - | - | - | 500 | 108,776 |
| Accrued Payroll | 82,116 | - | - | - | 3,795 | 85,911 |
| Due To Student Org. | - | - | - | - | - | - |
| Bond Payable | - | - | - | - | - | - |
| Accrued Liabilities | 32,722 | - | - | - | - | 32,722 |
| Deferred Revenue | 23,500 | - | - | - | - | 23,500 |
| Total Liabilities | 246,614 | - | - | - | 4,295 | 250,909 |
| <u>Fund Equity</u> | | | | | | |
| <u>Reserved</u> | | | | | | |
| Undistributed Reserve | 70,272 | - | - | - | - | 70,272 |
| Investment in Fixed Assets | - | - | - | - | - | - |
| <u>Unreserved</u> | | | | | | |
| Designated | 163,119 | - | - | - | 26,085 | 189,204 |
| Undesignated | 312,011 | - | 107,348 | 64,283 | 4,338 | 487,980 |
| Total Fund Equity | 545,402 | - | 107,348 | 64,283 | 30,423 | 747,456 |
| Total Liabilities & Fund Equity | 792,016 | - | 107,348 | 64,283 | 34,718 | 998,365 |

Daggett County School District
Reconciliaton of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Year Ended June 30, 2005

Exhibit 4

Total fund balances for governmental funds

\$ 747,456

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

| | | |
|---|---------------|----------------|
| Land | \$291,971 | |
| Buildings and improvements, net of accumulated depreciation | - | |
| Furniture and equipment, net of accumulated depreciation | 192,648 | |
| Bond Issuance Cost, net of amortization | <u>22,867</u> | <u>507,486</u> |

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.

23,500

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(831)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

| | | |
|--|-----------------|---------------------------------|
| Bonds payable | (830,000) | |
| Accrued vacation | (76,019) | |
| Early retirement payable | <u>(67,344)</u> | <u>(973,363)</u> |
| Total net assets of governmental activities | | <u><u>\$ 304,248</u></u> |

DAGGETT COUNTY SCHOOL DISTRICT

Statement of Revenue, Expenditures, and

Changes in Fund Balances

Governmental Funds

Years Ended June 30, 2005

| <u>Exhibit 5</u> | Maintenance & Operation Fund (General) | Capital Project Fund | Non Major Funds | Total |
|---|---|----------------------------|-----------------------|--------------------|
| <u>Revenue</u> | | | | |
| Property Taxes | 424,610 | 229,431 | 240,781 | 894,822 |
| Other Local | 56,551 | 13,377 | 4,161 | 74,089 |
| Lunch Sales | | | 22,081 | 22,081 |
| Payments from other Dist. | 176,327 | - | - | 176,327 |
| State of Utah | 1,434,458 | - | 64,165 | 1,498,623 |
| Federal Government | 135,758 | - | 19,111 | 154,869 |
| Total Revenue | <u>2,227,704</u> | <u>242,808</u> | <u>350,299</u> | <u>2,820,811</u> |
| <u>Expenditures</u> | | | | |
| Instruction | 1,304,240 | 24,748 | 91,681 | 1,420,669 |
| Support Services | | | | - |
| Students | 6,952 | - | - | 6,952 |
| Instructional Staff | 95,271 | - | - | 95,271 |
| General Admin | 147,670 | 13,420 | - | 161,090 |
| School Admin | 104,812 | - | - | 104,812 |
| Business | 76,244 | 770 | - | 77,014 |
| Plant Operation | 338,979 | 20,378 | - | 359,357 |
| Student Trans | 185,828 | - | - | 185,828 |
| Other Services | - | - | - | - |
| Debt Service | - | - | 500 | 500 |
| Capital Outlay | - | 271,375 | 182,465 | 453,840 |
| Supplies & Material | - | - | - | - |
| Food Services | - | - | 66,312 | 66,312 |
| Total Expenditures | <u>2,259,996</u> | <u>330,691</u> | <u>340,958</u> | <u>2,931,645</u> |
| <u>Other Sources (Uses)</u> | | | | |
| Interfund Transfers | (20,000) | - | 20,000 | - |
| Excess of Revenue & Other Sources Over (Under) | | | | |
| Expenditures & Other Uses | <u>(52,292)</u> | <u>(87,883)</u> | <u>29,341</u> | <u>(110,834)</u> |
| Fund Balances Beginning July 1, 2004 | <u>597,695</u> | <u>195,230</u> | <u>65,365</u> | <u>858,290</u> |
| Fund Balances Ending June 30, 2005 | <u>545,403</u> | <u>107,347</u> | <u>94,706</u> | <u>747,456</u> |

See accompanying notes and accountant's report

Daggett School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
Year Ended June 30, 2005

Exhibit 6

Net change in fund balances-total governmental funds \$ (110,833)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$500 for furniture and equipment and \$10,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | | |
|---------------------------------------|----|-----------------|--------|
| Capital outlays | \$ | 116,367 | |
| Loss on disposal of capital assets | | - | |
| Proceeds from sales of capital assets | | - | |
| Depreciation expense | | <u>(49,677)</u> | 66,690 |

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

| | | | |
|---|---|------------|---------|
| Bond proceeds | - | | |
| Repayment of bond principal | | 160,000 | |
| Interest expense - general obligation bonds | | <u>737</u> | 160,737 |

Property tax revenues received prior to the year for which they are being levied are reported as deferred revenue in the governmental funds. They are, however, recorded as revenues in the statement of activities. Deferred property tax revenues increased this year. 23,500

In the statement of activities, certain operating expenses - compensated absences (vacations), special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, accrued vacation increased by \$37,628 early retirement payable decreased by \$22,448. (15,180)

Change in net assets of governmental activities \$ 124,914

DAGGETT COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets & Liabilities
Agency Funds
Year Ended June 30, 2005

Exhibit 7

Student Activity Fund

Balance
6/30/2005

Assets

| | |
|-----------------------------------|---------------------|
| Cash-High School Activities | 4,729 |
| Cash-Elementary School Activities | <u>2,593</u> |
| Total Assets | <u><u>7,322</u></u> |

Liabilities

| | |
|-----------------------|--------------|
| Due To Student Groups | <u>7,322</u> |
|-----------------------|--------------|

NOTES TO FINANCIAL STATEMENTS

DAGGETT COUNTY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The accounting policies of the Daggett County School District are in compliance with generally accepted accounting principles related to governmental units in general and Utah School District in particular. The following is a summary of the more significant policies:

(a) The District Entity

The Board of Education, comprised of five elected individuals, is the governing authority for the School District. The Board establishes district policies, approves the budget, elects a Superintendent with responsibilities for administering all educational activities of the School District, and elects a Clerk-Treasurer with responsibilities for fiscal matters. The Board is authorized to issue bonds, incur short-term debt, to levy ad valorem taxes, and is not dependent on any other unit of local government. All funds including all financial activities, over which the Board has governance, are included in the report. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the Districts reporting entity.

(b) Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives values without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

(c) Government-wide and fund financial statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government (the District). These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect

DAGGETT COUNTY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

expense and is reported in the statement of activities as a separate line. Program revenues include:

- 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and
- 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The fund financial statements provide information about the District's funds, including its fiduciary fund. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

- (1) Summary of Significant Accounting Policies (Cont.)
- (d) Description of Funds and Account Groups

The District accounts for its financial operations in the following funds and account groups:

Governmental Fund Types

General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Capital Project Fund – The Capital Project fund is used to account for all resources for the acquisition of capital facilities by the District.

Nonmajor Funds – These funds account for programs supported by a separate tax levy, education programs exclusive of the traditional kindergarten through twelfth grade, and school lunch program which is partially supported by user charges administered by the District.

Fiduciary Fund Type

Trust and Agency Funds – Trust and Agency funds are used to account for assets held by the District in a trustee capacity or as an agent for individual student groups, other governments, and/or for other funds.

- (e) Budget Operation

The District operates within the budget requirements for school districts as specified by State law and as interpreted by the State Superintendent of Public Instruction. The financial reports reflect the following budgetary standards:

1. For the fiscal year beginning July 1, the Clerk-Treasurer prepares a tentative budget which is presented to the Board of Education by the Superintendent on or before the preceding June 1.

DAGGETT COUNTY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

2. By resolution the Board of Education legally adopts the final budget prior to June 30, after a public hearing has been held.

(1) Summary of Significant Accounting Policies (Cont.)

3. Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the Superintendent can approve reductions in or reallocations of appropriations but increased appropriations require a public hearing prior to amending the budget.
4. Interim adjustments in estimated revenue and appropriations during the fiscal year 2005 have been included in the final budget approved by the Board, as presented in the financial statements.
5. As determined by the State Superintendent of Public Instruction, the level for which expenditures may not legally exceed appropriations is the total budget of a given fund.
6. Budgets for the Maintenance and Operation (General) Fund, the Special Revenue Fund, the Debt Service Fund, the Capital Project Funds are prepared on a budgetary basis of accounting. Property tax revenue from an authorized Capital Outlay and Debt Service levy is allocated to the Debt Service Fund to match current expenditures of that fund.

(f) Property, Plant and Equipment, and Long-term Liabilities

Capital assets, which include buildings and equipment, are reported in the government-wide financial statements. Purchases or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of an asset or significantly extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized. Buildings and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| | |
|------------------------|----|
| Buildings | 40 |
| Food service equipment | 15 |
| Copiers | 10 |
| Buses and vehicles | 8 |
| Office equipment | 5 |

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source.

DAGGETT COUNTY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(g) Total Memorandum Only Columns

Total Columns on the Combined Statements are Captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial positions, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(1) Summary of Significant Accounting Policies (Cont.)

(h) Property Tax Calendar

Property taxes are attached as an enforceable lien of property as of January 1. Taxes are levied in June for the next fiscal year beginning July 1 and are due November 30. Property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year.

(i) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the policy of the district to use restricted net assets first.

Government Wide Financial Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt- Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net assets-Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets-All other net assets that do not meet the definition of "restricted" or "invested capital assets, net of related debt"

(2) Cash, Cash Equivalents and Investments

Cash includes currency on hand and demand deposits with banks or other financial institutions. Demand deposits include accounts where the District may deposit or withdraw funds at any time without prior notice or penalty. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

DAGGETT COUNTY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953 Section 541 Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of District funds in a "qualified depository". The act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of the act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the District and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

At June 30, 2005, the carrying amount of the district's deposits were \$928,241 of which \$757,891 was deposited in the Utah State Treasurer's Investment pool. The bank balance was \$218,625, of which, \$100,000 was covered by Federal Depository Insurance. The remaining bank balance of \$118,625 and the amount deposited in the Utah State Treasurers Investment Pool was uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent but not in the district's name.

(3) Accounts Receivable

Receivables as of June 30, 2005 are as follows:

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------------------------|---------------|
| Intergovernmental | 62,090 | 1,664 | 63,754 |
| School Patrons-Food Service | - | 449 | 449 |
| Other Local | <u>5,921</u> | | <u>5,921</u> |
| Total Receivables | <u>68,011</u> | <u>2,113</u> | <u>70,124</u> |

No allowance for uncollectable accounts has been recorded because the amount of receivables other than intergovernmental is not material to the financial statements as a whole.

(4) Retirement System

The Daggett County School District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System cost-sharing, multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems 540 East 200 S Salt Lake City Utah 84102 or by calling 1-800 - 365 -8772.

DAGGETT COUNTY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

Funding Policy. Plan members in the State and School Contributory Retirement System are required to contribute 6.00 % of their annual covered salary (5.00 % of which is paid by the employer for the employee) and Daggett County School District is required to contribute 8.89% of their annual covered salary. In the State and School Noncontributory Retirement System the Daggett County School District is required to contribute 13.38% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Daggett County School District contributions to the State and School Contributory Retirement System for the years ending June 30, 2005, 2004, and 2003 were \$ 7,141 \$ 6,601 and \$ 5,544 respectively and for the Noncontributory Retirement System the contributions for June 30, 2005, 2004 and 2003 were \$155,338, \$121,332, and \$111,482 respectively. The contributions were equal to the required contributions for each year.

The Utah Retirement Systems have adopted Governmental Accounting Standards Board Statement 32 (GASB No.32) Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This resulted in reporting the 457 Plans as a 'Trust Fund' rather than an 'Agency Fund' as previously reported. Now all of the assets and income of the 457 Plan are held in trust for the exclusive benefit of the participants or their beneficiaries rather than the assets of the employer. The assets are no longer assets of the District and are not included in the District's Financial Statements.

DAGGETT COUNTY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(5) Reserves or Designation of Fund Equity

The District records, reserves, or designates funds to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amount of all reserves for the District.

Reserved Fund Equity

Maintenance and Operation Fund

| | |
|-----------------------|---------------|
| Undistributed Reserve | <u>70,272</u> |
|-----------------------|---------------|

Designated Fund Balances

Maintenance and Operation Fund

| | |
|----------------------------------|---------------|
| Special Education Programs | 35,810 |
| Applied Tech | 3,726 |
| Concurrent Enrollment | 2,676 |
| At-Risk | 5,209 |
| Quality Teaching Block Grant | 21,160 |
| School Trust Lands | 19,126 |
| Intervention for Student Success | 7,202 |
| Drivers Education | 11,386 |
| U Pass | 8,485 |
| Chapter I | 3,540 |
| Drug Free | 3,788 |
| FIE & Media | 2,999 |
| Teacher Supply | 5,155 |
| Library Media | 604 |
| NCLB | <u>32,253</u> |

| | |
|-------|----------------|
| Total | <u>163,119</u> |
|-------|----------------|

Non K-12

| | |
|------------------------|--------------|
| Adult Basic-State | 16,975 |
| Recreation-Local | 4,395 |
| Handicapped/Pre-School | <u>4,714</u> |

| | |
|-------|---------------|
| Total | <u>26,084</u> |
|-------|---------------|

DAGGETT COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

(6) General Fixed Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

| | <u>Beginning</u> | | | <u>Ending</u> |
|--|------------------|------------------|------------------|----------------|
| | <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> |
| Governmental activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | 291,971 | - | - | 291,971 |
| Total capital assets, not being depreciated | 291,971 | - | - | 291,971 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 3,725,783 | - | - | 3,725,783 |
| Furniture and equipment | 1,471,238 | 116,367 | (192,506) | 1,395,099 |
| Bond Issuance Cost | 31,064 | - | - | 31,064 |
| Total capital assets, being depreciated | 5,228,085 | 116,367 | (192,506) | 5,151,946 |
| Accumulated depreciation for: | | | | |
| Buildings and improvements | (3,725,783) | - | - | (3,725,783) |
| Furniture and equipment | (1,350,456) | (44,500) | 192,506 | (1,202,450) |
| Bond Issuance Cost | (3,020) | (5,177) | - | (8,197) |
| Total accumulated depreciation | (5,079,259) | (49,677) | 192,506 | (4,936,430) |
| Total capital assets, being depreciated, net | 148,826 | 66,689 | - | 215,515 |
| Governmental activities capital assets, net | <u>440,797</u> | <u>66,689</u> | <u>-</u> | <u>507,486</u> |

Depreciation expense was charged to functions of the District as follows:

| | | <u>% Allocation</u> |
|---|---------------|---------------------|
| Governmental activities: | | |
| Instructional services | <u>39,742</u> | <u>80.00%</u> |
| Supporting services: | | |
| District administration | 994 | 2.00% |
| School administration | 1,490 | 3.00% |
| Business | 994 | 2.00% |
| Operation and maintenance of facilities | 2,484 | 5.00% |
| Transportation | | 0.00% |
| School lunch services | <u>3,974</u> | <u>8.00%</u> |
| Total depreciation expense, governmental activities | <u>49,677</u> | <u>100.00%</u> |

(7) Changes in General Long-term Debt

The general long-term debt as of June 30, 2005 follows:

| General | Original | Interest | Balance | New Debt | Retired | Balance |
|-------------|----------------|-------------|---------------------|--------------------|--------------------|----------------------|
| Obligation | Amount | Rate | Outstanding | During Year | During Year | Outstanding |
| <u>Bond</u> | <u>Amount</u> | <u>Rate</u> | <u>July 1, 2004</u> | <u>During Year</u> | <u>During Year</u> | <u>June 30, 2005</u> |
| 2003 Series | 990,000 | 1.4-3.25 | 990,000 | | 160,000 | 830,000 |
| Total | <u>990,000</u> | <u>-</u> | <u>990,000</u> | <u>-</u> | <u>160,000</u> | <u>830,000</u> |

The amount of principle due on the bonds within the next year is \$160,000.

The amount of the early retirement payable due within the next year is \$22,488.

Bonds

The annual requirements to retire general long-term bonded debt as of June 30, 2005, are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|------------------|-----------------|----------------|
| 2005 | 160,000 | 19,945 | 179,945 |
| 2006 | 165,000 | 16,730 | 181,730 |
| 2007 | 165,000 | 12,770 | 177,770 |
| 2008 | 170,000 | 8,075 | 178,075 |
| 2009 | <u>170,000</u> | <u>2,763</u> | <u>172,763</u> |
| | <u>830,000</u> | <u>60,283</u> | <u>890,283</u> |

DAGGETT COUNTY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(8) Changes in General Long-Term Debt

The \$2,090,000 Refunding Bonds were issued in April 1993 to refund the remaining 1989 General Obligation Bonds of the District. These refunding bonds were paid off during the 2004 fiscal year. A new bond was issued for \$990,000 dollars, which is scheduled to be paid-off by 2009.

(9) Liability For Compensated Absences

Employees are allowed to accrue ten (10) days of sick leave each year to a maximum accrual of 150 days. Employees who qualify will be paid 15 % of their accrued sick leave at their salary rate in effect at retirement. The accrued liability for the District at June 30, 2005 is \$76,019, for days accrued before 07/01/2004. Sick leave accrued after 06/30/2004 will be paid 100% at their accrued sick leave.

(10) Early Retirement Incentive Program

Eligibility under the program is not restricted by age but solely by years of service in Daggett School District. This program is independent of the Utah State Retirement System.

Eligibility is restricted to those employees with ten or more years of service in the district and who qualify under the state retirement system for benefits, except any employee who has been placed on probation or notified of suspension or termination of contract in the year of application for early retirement. An eligible employee may participate for a maximum of five years, or until the employee becomes eligible to receive unreduced old age insurance benefits under the Social Security Act, 42 U.S.C. 401 et seq., whichever occurs first.

Certified personnel who have qualified for benefits under the state retirement system shall receive fifty percent of the difference between the Bachelor's Lane step one and the lane and step that the employee is on at the time of early retirement.

Benefits to classified personnel are half of the difference between their present hourly salary and the beginning hourly wage for their respective positions. (Because such a wide variance exists in the differences between positions a minimum amount will be calculated by rank ordering the differences between the various positions and using the median amount as a minimum.)

The accrued liability for the District at June 30, 2005 for those employees who have elected early retirement is \$ 67,344. The liability by year is as follows:

| <u>Year Ending</u> | <u>Amount</u> |
|--------------------|---------------|
| June 30, 2005 | 22,448 |
| June 30, 2006 | 22,448 |
| June 30, 2007 | <u>22,448</u> |
| Total | <u>67,344</u> |

REQUIRED SUPPLEMENTARY INFORMATION

DAGGETT COUNTY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes
in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2005

Schedule A-1

The General Fund

| | <u>Preliminary Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavor)</u> |
|---|-------------------------------|-------------------------|------------------|---|
| Revenue | | | | |
| Property Taxes | 403,673 | 424,610 | 424,610 | - |
| Interest Income | 6,652 | 9,183 | 11,690 | 2,507 |
| Other Local Revenue | - | 34,398 | 44,861 | 10,463 |
| Payments from Other District | 195,500 | 177,272 | 176,327 | (945) |
| State of Utah | 1,355,335 | 1,438,648 | 1,434,458 | (4,190) |
| Federal Government | 153,771 | 155,685 | 135,758 | (19,927) |
| Total Revenue | <u>2,114,931</u> | <u>2,239,796</u> | <u>2,227,704</u> | <u>(12,092)</u> |
| Expenditures | | | | |
| Instruction | 1,470,813 | 1,362,798 | 1,304,240 | 58,558 |
| Support Services | | | | - |
| Students | 9,582 | 9,002 | 6,952 | 2,050 |
| Instructional Staff | 104,628 | 102,607 | 95,271 | 7,336 |
| District Administration | 179,871 | 150,728 | 147,670 | 3,058 |
| School Administration | 75,040 | 99,564 | 104,812 | (5,248) |
| Business | 74,589 | 79,170 | 76,244 | 2,926 |
| Operation & Maintenance of Plant | 430,447 | 350,162 | 338,979 | 11,183 |
| Student Transportation | 280,298 | 190,039 | 185,828 | 4,211 |
| Other Support Services | - | - | - | - |
| Total Expenditures | <u>2,625,268</u> | <u>2,344,070</u> | <u>2,259,996</u> | <u>84,074</u> |
| Excess of Revenue Over (Under) Expenditures | <u>(510,337)</u> | <u>(104,274)</u> | <u>(32,292)</u> | <u>71,982</u> |
| Other Financing Sources (Uses) | | | | |
| Interfund Transfers | <u>(42,000)</u> | <u>(20,000)</u> | <u>(20,000)</u> | <u>-</u> |
| Excess of Revenue & Other Sources Over (Under) Expenditures & Other Uses | <u>(552,337)</u> | <u>(124,274)</u> | <u>(52,292)</u> | <u>71,982</u> |
| Fund Balances July 1, 2004 | <u>597,694</u> | <u>597,694</u> | <u>597,694</u> | <u>-</u> |
| Fund Balances June 30, 2005 | <u>45,357</u> | <u>473,420</u> | <u>545,402</u> | <u>71,982</u> |

SUPPLEMENTARY INFORMATION

DAGGETT COUNTY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes
In Fund Balances – Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2005

| <u>Schedule B-1</u> | <u>Debt-Service Fund</u> | | Variance |
|---|-------------------------------|----------------|--------------------------------------|
| | <u>Final</u> <u>Budget</u> | <u>Actual</u> | <u>Favorable</u> <u>(Unfavor)</u> |
| <u>Revenue</u> | | | |
| Property Taxes | 199,841 | 199,840 | (1) |
| Bond Revenue | | | - |
| Interest Earned | 345 | 345 | - |
| Total Revenue | <u>200,186</u> | <u>200,185</u> | <u>(1)</u> |
| <u>Expenditures</u> | | | |
| Debt Service | <u>182,965</u> | <u>182,965</u> | <u>-</u> |
| Total Expenditures | <u>182,965</u> | <u>182,965</u> | <u>-</u> |
| Excess of Revenue Over (Under) Expenditures | <u>17,221</u> | <u>17,220</u> | <u>(1)</u> |
| <u>Other Sources (Uses)</u> | | | |
| Interfund Transfers | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of Revenue & Other Sources Over (Under) Expenditures & Other Sources | <u>17,221</u> | <u>17,220</u> | <u>(1)</u> |
| Fund Balances July 1, 2004 | <u>47,062</u> | <u>47,062</u> | <u>-</u> |
| Fund Balances June 30, 2005 | <u>64,283</u> | <u>64,282</u> | <u>(1)</u> |

DAGGETT COUNTY SCHOOL DISTRICT
Statement of Revenue, Expenditures, and Changes
in Fund Balances – Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2005

Schedule B-2

The Capital Projects Fund

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavor)</u> |
|---|-------------------------|-----------------|---|
| <u>Revenue</u> | | | |
| Property Taxes | 229,430 | 229,431 | 1 |
| Interest Earned | 6,903 | 6,905 | 2 |
| Other Local Revenue | 5,076 | 6,472 | 1,396 |
| State of Utah | - | - | - |
| Total Revenue | <u>241,409</u> | <u>242,808</u> | <u>1,399</u> |
| <u>Expenditures</u> | | | |
| Instruction | 29,511 | 24,748 | 4,763 |
| Support Services | 37,500 | 34,568 | 2,932 |
| Capital Outlay | 284,157 | 271,375 | 12,782 |
| Total Expenditures | <u>351,168</u> | <u>330,691</u> | <u>20,477</u> |
| Excess of Revenue Over (Under) Expenditures | <u>(109,759)</u> | <u>(87,883)</u> | <u>21,876</u> |
| <u>Other Sources (Uses)</u> | | | |
| Interfund Transfers | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of Revenue & Other Sources Over (Under) Expenditures & Other Sources | <u>(109,759)</u> | <u>(87,883)</u> | <u>21,876</u> |
| <u>Fund Balances July 1, 2004</u> | <u>195,230</u> | <u>195,230</u> | <u>-</u> |
| <u>Fund Balances June 30, 2005</u> | <u>85,471</u> | <u>107,347</u> | <u>21,876</u> |

DAGGETT COUNTY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes
in Fund Balances – Budget and Actual
Nonmajor Funds
For the Year Ended June 30, 2005

Schedule B-3

Nonmajor Funds

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavor)</u> |
|---|-------------------------|----------------|---|
| <u>Revenue</u> | | | |
| Property Taxes | 40,941 | 40,941 | - |
| Interest | 71 | 71 | - |
| Other Local Revenue | 3,438 | 3,745 | 307 |
| Lunch Sales | 21,549 | 22,081 | 532 |
| State of Utah | 62,277 | 64,165 | 1,888 |
| Federal Government | 19,476 | 19,111 | (365) |
| Total Revenue | <u>147,752</u> | <u>150,114</u> | <u>2,362</u> |
| <u>Expenditures</u> | | | |
| Instruction | 54,742 | 53,555 | 1,187 |
| Supplies & Material | 4,200 | 3,819 | 381 |
| Purchased Services | 31,350 | 26,384 | 4,966 |
| Equipment | 8,570 | 7,986 | 584 |
| Food Service Salaries | 43,593 | 43,435 | 158 |
| Food | 23,560 | 21,745 | 1,815 |
| Other | 1,100 | 1,069 | 31 |
| Total Expenditures | <u>167,115</u> | <u>157,993</u> | <u>9,122</u> |
| Excess of Revenue Over (Under) Expenditures | <u>(19,363)</u> | <u>(7,879)</u> | <u>11,484</u> |
| <u>Other Financing Uses</u> | | | |
| Interfund Transfers | <u>20,000</u> | <u>20,000</u> | <u>-</u> |
| Excess of Revenue & Other Sources Over (Under) Expenditures & Other Uses | <u>637</u> | <u>12,121</u> | <u>11,484</u> |
| Fund Balances July 1, 2004 | <u>13,874</u> | <u>13,874</u> | <u>-</u> |
| Fund Balances June 30, 2005 | <u>14,511</u> | <u>25,995</u> | <u>-</u> |

DAGGETT COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

Schedule B-4

| | Debt Service Fund | Special Revenue | | Total Nonmajor Governmental Funds |
|--|----------------------------------|-------------------------|------------------------------|--|
| | | Food Service | Non K-12 Programs | |
| Assets: | | | | |
| Cash and investments | \$ 64,283 | \$ 6,897 | \$ 25,709 | \$ 96,889 |
| Receivables: | | \$ 448 | \$ 1,664 | 2,112 |
| Other Receivables | - | - | - | - |
| Due from other funds | - | - | - | - |
| Total assets | \$ 64,283 | \$ 7,345 | \$ 27,373 | \$ 99,001 |
| Liabilities: | | | | |
| Accounts Payable | | 500 | | \$ 500 |
| wages payable | \$ - | \$ 2,507 | \$ 1,288 | \$ 3,795 |
| Total liabilities | - | 3,007 | 1,288 | 4,295 |
| Fund balances: | | | | |
| Unreserved: | | | | |
| Designated | - | - | 26,085 | 26,085 |
| Undesignated | - | 4,338 | | 4,338 |
| Unappropriated | 64,283 | - | - | 64,283 |
| Total fund balances | 64,283 | 4,338 | 26,085 | 94,706 |
| Total liabilities and fund balances | \$ 64,283 | \$ 7,345 | \$ 27,373 | \$ 99,001 |

DAGGETT COUNTY SCHOOL DISTRICT**Combining Statement of Revenues,****Expenditures and Changes in Fund Balance****Nonmajor Governmental Funds****June 30, 2005****Schedule B-5**

| | Debt Service Fund | Special Revenue | | Total Nonmajor Governmental Funds |
|---|----------------------------------|-------------------------|------------------------------|--|
| | | Food Service | Non K-12 Programs | |
| Revenues: | | | | |
| Property tax | \$199,840 | \$ - | \$ 40,941 | \$ 240,781 |
| Interest Earned | 345 | - | 71 | 416 |
| Lunch sales | - | 22,081 | - | 22,081 |
| Bond Revenue | - | - | - | - |
| Other Local | - | - | 3,745 | 3,745 |
| State Sources | - | 6,694 | 57,471 | 64,165 |
| Federal Sources | - | 17,447 | 1,664 | 19,111 |
| Total revenues | <u>200,185</u> | <u>46,222</u> | <u>103,892</u> | <u>350,299</u> |
| Expenditures: | | | | |
| Salaries | - | 29,976 | 47,056 | 77,032 |
| Employee Benefits | - | 13,459 | 6,499 | 19,958 |
| Supplies, Materials, & Food | - | 21,745 | 3,819 | 25,564 |
| Purchased Services | - | 63 | 26,321 | 26,384 |
| Equipment | - | 1,069 | 7,986 | 9,055 |
| Other | 500 | - | - | 500 |
| Debt Service: | | | | |
| Principal retirement | 160,000 | - | - | 160,000 |
| Interest and fiscal charges | 22,465 | - | - | 22,465 |
| Total expenditures | <u>182,965</u> | <u>66,312</u> | <u>91,681</u> | <u>340,958</u> |
| Excess of revenues over expenditures | <u>17,220</u> | <u>(20,090)</u> | <u>12,211</u> | <u>9,341</u> |
| Other Sources (Uses): | | | | |
| Interfund Transfers | - | 20,000 | - | 20,000 |
| Net change in fund balances | <u>17,220</u> | <u>(90)</u> | <u>12,211</u> | <u>29,341</u> |
| Fund balances - beginning | <u>47,062</u> | <u>4,429</u> | <u>13,874</u> | <u>65,365</u> |
| Fund balances - ending | <u>\$ 64,282</u> | <u>\$ 4,339</u> | <u>\$ 26,085</u> | <u>\$ 94,706</u> |

DAGGETT COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance- Nonmajor Governmental Funds
Budget (GAAP Basis) and Actual
Year Ended June 30, 2004

Schedule B-6

| | <u>Final</u> <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavor) |
|---|-------------------------------|-----------------|------------------------------------|
| <u>Non K-12</u> | | | |
| <u>Revenue</u> | | | |
| Property Tax | 40,941 | 40,941 | - |
| Interest | 71 | 71 | - |
| Other Local | 3,438 | 3,745 | 307 |
| State Sources | 57,471 | 57,471 | - |
| Federal Sources | 1,664 | 1,664 | - |
| Total Revenue | <u>103,585</u> | <u>103,892</u> | <u>307</u> |
| <u>Expenditures</u> | | | |
| Salaries & Benefits | 54,742 | 53,555 | 1,187 |
| Supplies | 4,200 | 3,819 | 381 |
| Other | 39,820 | 34,307 | 5,513 |
| Total Expenditures | <u>98,762</u> | <u>91,681</u> | <u>7,081</u> |
| Excess of Revenue Over (Under) Expenditures | <u>4,823</u> | <u>12,211</u> | <u>7,388</u> |
| Fund Balance- July 1, 2004 | <u>13,874</u> | <u>13,874</u> | <u>-</u> |
| Fund Balance- June 30, 2005 | <u>18,697</u> | <u>26,085</u> | <u>7,388</u> |
| <u>Food Service</u> | | | |
| <u>Revenue</u> | | | |
| Lunch Sales | 21,549 | 22,081 | 532 |
| Other Local Revenue | - | - | - |
| State Sources | 4,806 | 6,694 | 1,888 |
| Federal Sources | 17,812 | 17,447 | (365) |
| Total Revenue | <u>44,167</u> | <u>46,222</u> | <u>2,055</u> |
| <u>Expenditures</u> | | | |
| Food Service | <u>68,353</u> | <u>66,312</u> | <u>2,041</u> |
| Total Expenditures | <u>68,353</u> | <u>66,312</u> | <u>2,041</u> |
| Excess of Revenue Over (Under) Expenditures | <u>(24,186)</u> | <u>(20,090)</u> | <u>4,096</u> |
| <u>Other Financing Sources</u> | | | |
| Interfund Transfers | <u>20,000</u> | <u>20,000</u> | <u>-</u> |
| Excess of Revenue & Other Financing Sources | <u>(4,186)</u> | <u>(90)</u> | <u>4,096</u> |
| Fund Balance-July 1, 2004 | <u>4,429</u> | <u>4,429</u> | <u>-</u> |
| Fund Balance-June 30, 2005 | <u>243</u> | <u>4,339</u> | <u>4,096</u> |



Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements performed in accordance with Government Auditing Standards

We have audited the general-purpose financial statements of Daggett County School District for the year ended June 30, 2005, and have issued our report thereon dated August 24, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Daggett County School District's purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those procedures was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Daggett County School District's financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Daggett County School District in a separate letter dated August 24, 2005. Our consideration of the internal control may not disclose all reportable conditions.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and the Board. However, this report is a matter of public record, and its distribution is not limited.

Steve Johnston & Associates
Steve Johnston & Associates
Certified Public Accountant
August 24, 2005



Board of Education
Daggett County School District
Manila, Utah

We have audited the general-purpose financial statements of the Daggett County School District Utah for the year ended June 30, 2005 and have issued our report thereon dated August 24, 2005. As part of our audit we have audited the Daggett County School District's compliance with the requirements governing types of services allowed or unallowed; eligibility, matching, level of effort, or ear-marking; special tests and provisions applicable to its major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The District received the following major State assistance program from the State of Utah:

Minimum School Program

The School District received the following non-major grants which are not required to be audited for specific compliance requirements: (However these programs were subject to testwork as part of the audit of Daggett County School District's financial statements.)

**Minimum School Lunch Program (Department of Education)
Driver Education**

Our audit also included testwork on the School District's compliance with those general compliance requirements identified in the State Legal Compliance Audit Guide including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

The management of Daggett County School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining on test basis evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed one instance of noncompliance with the requirements referred to above. The instance has been reported to the management of Daggett County School District in a separate letter dated August 24, 2005.

In our opinion, Daggett County School District, Utah, complied in all material respects with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility, matching, level of effort, or earmarking, reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Steve Johnston & Associates
Steve Johnston & Associates
Certified Public Accountant
August 24, 2005